

# DEPARTMENT OF ENERGY

## Western Area Power Administration

### Desert Southwest Customer Service Region—Western Area Lower Colorado Balancing Authority—Rate Order No. WAPA-151

AGENCY: Western Area Power Administration, DOE.

ACTION: Notice of Order Concerning Network Integration Transmission Service and Ancillary Services Formula Rates.

**SUMMARY:** The Deputy Secretary of Energy has confirmed and approved Rate Order No. WAPA-151 and Rate Schedules PD-NTS3, INT-NTS3, DSW-SD3, DSW-RS3, DSW-FR3, DSW-EI3, DSW-SPR3, DSW-SUR3, and DSW-GI1, placing the Western Area Power Administration's (Western) Desert Southwest Customer Service Region (DSWR) Parker-Davis Project (P-DP) Network Integration Transmission Service (NITS), the AC Intertie Project (Intertie) NITS, and the Western Area

Lower Colorado (WALC) Balancing Authority Ancillary Services formula rates into effect on an interim basis. The Provisional Formula Rates will be in effect until the Federal Energy Regulatory Commission (FERC) confirms, approves, and places them into effect on a final basis or until they are replaced by other formula rates. The Provisional Formula Rates will provide sufficient revenue to pay all annual costs, including interest expense, and to repay power investment within the allowable periods.

**DATES:** Rate Schedules PD-NTS3, INT-NTS3, DSW-SD3, DSW-RS3, DSW-FR3, DSW-EI3, DSW-SPR3, DSW-SUR3, and DSW-GI1 will be placed into effect on an interim basis on the first day of the first full billing period beginning on or after October 1, 2011, and will remain in effect until FERC confirms, approves, and places the rate schedules into effect on a final basis for a 5-year period ending September 30, 2016, or until the rate schedules are superseded.

**FOR FURTHER INFORMATION CONTACT:** Mr. Jack Murray, Rates Manager, Desert Southwest Customer Service Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2442, e-mail [jmurray@wapa.gov](mailto:jmurray@wapa.gov).

**SUPPLEMENTARY INFORMATION:** The Deputy Secretary of Energy approved Rate Schedules PD-NTS2, INT-NTS2, DSW-SD2, DSW-RS2, DSW-FR2, DSW-EI2, DSW-SPR2, and DSW-SUR2 on June 26, 2006 (Rate Order No. WAPA-127, 71 FR 36332).<sup>1</sup> These rates became effective on July 1, 2006, with an expiration date of June 30, 2011. The rate schedules were extended temporarily through September 30, 2013, under Rate Order No. WAPA-152.<sup>2</sup>

### Desert Southwest Customer Service Region Network Integration Transmission Service

Rate Schedules PD-NTS3 and INT-NTS3 for P-DP and Intertie NITS are based on a revenue requirement that recovers the DSWR transmission system costs for facilities associated with providing all transmission services as well as the non-transmission facility costs allocated to transmission service.

<sup>1</sup> FERC confirmed and approved Rate Order No. WAPA-127 on November 21, 2006, in Docket No. EF06-5191. See *United States Department of Energy, Western Area Power Administration*, 117 FERC ¶ 62,172.

<sup>2</sup> WAPA-152, Extension of Rate Order No. WAPA-127 through September 30, 2013. 76 FR 28767, May 18, 2011.

**WALC Ancillary Services**

Western will provide seven ancillary services pursuant to its Tariff. These are: (1) Scheduling, System Control, and Dispatch Service (DSW-SD3); (2) Reactive Supply and Voltage Control Service from Generation or Other Sources Service (VAR Support) (DSW-RS3); (3) Regulation and Frequency Response Service (Regulation) (DSW-FR3); (4) Energy Imbalance Service (DSW-EI3); (5) Spinning Reserve Service (DSW-SPR3); (6) Supplemental Reserve Service (DSW-SUR3); and (7) Generator Imbalance Service (DSW-GI1). Rates for these services will be recalculated each year to incorporate the most recent financial and load information, and will be applicable to all NITS and WALC Ancillary Services customers.

By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) The authority to develop power and transmission rates to the Administrator of Western; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to FERC. Existing Department of Energy procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985 (50 FR 37835).

Under Delegation Order Nos. 00-037.00 and 00-001.00C, 10 CFR part

903, and 18 CFR part 300, I hereby confirm, approve, and place Rate Order No. WAPA-151, the proposed NITS and WALC Ancillary Services formula rates, into effect on an interim basis. By this Order, I am placing the rates into effect in less than 30 days to meet contract deadlines, to avoid financial difficulties and to provide a rate for a new service. The new Rate Schedules PD-NTS3, INT-NTS3, DSW-SD3, DSW-RS3, DSW-FR3, DSW-EI3, DSW-SPR3, DSW-SUR3, and DSW-GI1 will be submitted promptly to FERC for confirmation and approval on a final basis.

Dated: September 19, 2011.

Daniel B. Poneman,  
Deputy Secretary.

Deputy Secretary

Rate Order No. WAPA-151

**In the Matter of: Western Area Power Administration**

Rate Adjustment for the Desert Southwest Customer Service Region; Network Integration Transmission Service and Ancillary Services; Order Confirming, Approving, and Placing the Parker-Davis Project and AC Intertie Project Network Integration Transmission Service and Western Area Lower Colorado Ancillary Services Formula Rates Into Effect on an Interim Basis

These Network Integration Transmission Service (NITS) and Western Area Lower Colorado (WALC) Ancillary Services formula rates are

established pursuant to Section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This Act transferred to and vested in the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation (Reclamation) under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section (c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)) and section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00, effective December 6, 2001, the Secretary of Energy delegated: (1) The authority to develop power and transmission rates to the Administrator of Western; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand or to disapprove such rates to the Federal Energy Regulatory Commission (FERC). Existing DOE procedures for public participation in power rate adjustments (10 CFR part 903) were published on September 18, 1985.

**Acronyms and Definitions**

As used in this Rate Order, the following acronyms/terms and definitions apply:

Acronym/term	Definition
\$/kW-month	Dollars per kilowatt per month.
12-cp	Rolling 12-month peak average of customers' loads in excess of Federal entitlement, coincident with the applicable transmission project's peak.
Administrator	The Administrator of the Western Area Power Administration.
Area Control Error (ACE)	The instantaneous difference between a Balancing Authority's net actual and scheduled interchange, taking into account the effects of frequency bias and correction for meter error.
Ancillary Services	Those services that are necessary to support the transmission of capacity and energy from resources to loads while maintaining reliable operation of the Transmission Service Provider's transmission system in accordance with good utility practice.
ATRR	Annual Transmission Revenue Requirement.
Automatic Generation Control (AGC)	Equipment that automatically adjusts generation in a Balancing Authority Area from a central location to maintain the Balancing Authority's interchange schedule plus frequency bias.
Balancing Authority (BA)	The responsible entity that integrates resource plans ahead of time, maintains load-interchange-generation balance within a Balancing Authority Area, and supports interconnection frequency in real time.
Control Area	The term used for a Balancing Authority in Western's Open Access Transmission Tariff.
CRSP	Colorado River Storage Project.
DOE	Department of Energy.
DSWR	Desert Southwest Customer Service Region.
Energy Imbalance Service	The ancillary service in which the Balancing Authority corrects hourly for the difference between a customer's energy supply and energy usage.
EIS	Environmental Impact Statement.

Acronym/term	Definition
<i>FERC</i> .....	Federal Energy Regulatory Commission.
<i>Firm Electric Service Contracts</i> .....	Contracts of the sale of long-term firm DSWR Federal energy and capacity, pursuant to the Post 1989 General Power Marketing and Allocation Criteria (Marketing Plan).
<i>FRN</i> .....	Federal Register notice.
<i>FY</i> .....	Fiscal Year.
<i>Generator Imbalance Service</i> .....	The ancillary service in which the Balancing Authority corrects hourly for the difference between a customer's actual generation and scheduled generation.
<i>kW</i> .....	Kilowatt. 1,000 watts.
<i>kWh</i> .....	Kilowatt-hour; the common unit of electric energy, equal to 1 kW produced or delivered for a period of 1 hour.
<i>kW-month</i> .....	Kilowatt-month of electric energy, equal to 1 kW produced and delivered for 1 month.
<i>kW-year</i> .....	Kilowatt-year. A unit of electrical capacity demanded for 8,760 hours.
<i>Load (Total)</i> .....	Network Service plus 12-month rolling average of monthly entitlements of Federal Customers plus reserved capacity for all long-term firm point-to-point transmission service.
<i>Load-ratio share</i> .....	Network Transmission Customer's 12-cp load coincident with applicable transmission project's peak, expressed as a ratio.
<i>Load Serving Entity (LSE)</i> .....	An entity within the Balancing Authority serving load.
<i>Mill</i> .....	Unit of monetary value equal to .001 of U.S. dollar; i.e., one-tenth of a cent.
<i>Mills/kWh</i> .....	Mills per kilowatt-hour.
<i>Monthly Entitlements</i> .....	Maximum capacity to be delivered each month under Firm Electric Service Contracts. Each monthly entitlement is a percentage of the seasonal contract-rate-of-delivery.
<i>MW</i> .....	Megawatt. Equal to 1,000 kW or 1,000,000 watts.
<i>MWH</i> .....	Megawatt-hour. Equal to 1,000,000 watt-hours of electric energy.
<i>NATRR</i> .....	Net Annual Transmission Revenue Requirement.
<i>NEPA</i> .....	National Environmental Policy Act of 1969 (42 U.S.C. 4321, <i>et seq.</i> ).
<i>NERC</i> .....	North American Electric Reliability Corporation.
<i>Network Integration Transmission Service (NITS)</i> .....	Firm Transmission Service for the delivery of capacity and energy from designated network resources to designated network loads not using one specific path.
<i>Open Access Same-Time Information System (OASIS)</i> .....	An electronic posting system that the Transmission Service Provider maintains for transmission access data that allows all transmission customers to view the data simultaneously.
<i>O&amp;M</i> .....	Operation and Maintenance.
<i>OM&amp;R</i> .....	Operation, Maintenance, and Replacements.
<i>Operating Reserve-Spinning Reserve Service</i> .....	Generation capacity needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output.
<i>Operating Reserve-Supplemental Reserve Service</i> .....	Generation capacity needed to serve load in the event of a system contingency, which capacity is not available immediately to serve load but rather within a short period of time. Supplemental Reserve Service may be provided by generation units that are on-line but unloaded, by quick start generation, or by interruptible load.
<i>Provisional Formula Rate</i> .....	A formula rate which has been confirmed, approved, and placed into effect on an interim basis by the Deputy Secretary.
<i>Rate Brochure</i> .....	A document explaining the rationale and background for the rate proposal contained in this Rate Order, dated February 22, 2011.
<i>Reactive Supply and Voltage Control From Generation or Other Sources Service.</i>	The ancillary service under which a Balancing Authority operates generation facilities under its control to produce or absorb reactive power to maintain voltages on all transmission facilities within acceptable limits.
<i>Reclamation</i> .....	United States Department of the Interior, Bureau of Reclamation.
<i>Reclamation Law</i> .....	A series of Federal laws, viewed as a whole that create the originating framework under which Western markets power.
<i>Regulation and Frequency Response Service</i> .....	The ancillary service under which a Balancing Authority maintains moment-by-moment load-interchange-generation balance with the Balancing Authority area, and supports interconnection frequency.
<i>Revenue Requirement</i> .....	The revenue required to recover annual expenses, such as O&M, purchased power, transmission service expenses, interest, deferred expenses, repayment of Federal investments, and other assigned costs.
<i>RMR</i> .....	Rocky Mountain Customer Service Region.
<i>Scheduling, System Control, and Dispatch Service</i> .....	The ancillary service under which a Balancing Authority sets up an arrangement for an energy interchange transaction.
<i>Service Agreement</i> .....	The initial agreement and any amendments or supplements entered into by the Transmission Customer and Western for service under the Tariff.

Acronym/term	Definition
<i>Sub-Balancing Authority (SBA)</i> .....	An area within a Balancing Authority that has a boundary metering scheme and for which an Area Control Error can be measured.
<i>Tariff</i> .....	Western Area Power Administration's revised Open Access Transmission Service Tariff, effective December 1, 2009 (FERC Docket No. NJ10-1-000).
<i>Transmission Customer</i> .....	The DSWR customer taking network or point-to-point transmission service.
<i>Transmission Provider</i> .....	An entity that administers a transmission tariff and provides transmission service to Transmission Customers under applicable transmission service agreements.
<i>WALC</i> .....	Western Area Lower Colorado Balancing Authority.
<i>WECC</i> .....	Western Electricity Coordinating Council.
<i>Western</i> .....	Western Area Power Administration.

#### Effective Date

The Provisional Formula Rates will take effect on the first day of the first full billing period beginning on or after October 1, 2011, and will remain in effect until September 30, 2016, pending approval by FERC on a final basis.

#### Public Notice and Comment

Western has followed the Procedures for Public Participation in Power and Transmission Rate Adjustments and Extensions, 10 CFR part 903, in developing these formula rates and schedules. The steps Western took to involve interested parties in the rate process were:

1. On September 22, 2010, Western held an informal public meeting with customers and interested parties to discuss DSWR's proposed rates for NITS and WALC Ancillary Services. Western posted all information presented at the informal public meeting, as well as answering questions asked at the meeting, on its Web site at <http://www.wapa.gov/dsw/pwrmt/ANCSR/ANCSR.htm>.

2. On February 15, 2011, DSWR published a Federal Register notice (76 FR 8730), officially announcing the proposed NITS and WALC Ancillary Services formula rates adjustment, initiating the public consultation and comment period, announcing the Public Information and Public Comment forums and outlining procedures for public participation.

3. On February 16, 2011, Western mailed all DSWR transmission customers and interested parties a copy of the published Federal Register notice published on February 15, 2011, (76 FR 8730).

4. On March 10, 2011, beginning at 1 p.m., Western held its Public Information Forum at the DSWR Office at 615 South 43rd Avenue, Phoenix, Arizona. Western representatives explained the need for the formula rates adjustment in detail and answered questions.

5. On April 6, 2011, beginning at 1 p.m., Western held a Public Comment Forum at the DSWR Office, Phoenix, Arizona, to provide the public an opportunity to comment for the record. No comments were received at this forum.

6. Western received three comment letters during the consultation and comment period, which ended May 16, 2011.

All comments received have been considered in the preparation of this Rate Order.

#### Comments

No oral comments were received.

The following three organizations submitted written comments:

- Irrigation & Electrical Districts Association of Arizona, Phoenix, Arizona.
- Wellton-Mohawk Irrigation and Drainage District, Wellton, Arizona.
- Yuma County Water User's Association, Yuma, Arizona.

#### Project Description

DSWR provides Ancillary Services under the WALC. It encompasses all the power systems located in the DSWR marketing area; Boulder Canyon Project (BCP), Parker-Davis Project (P-DP), Central Arizona Project (CAP), Colorado River Storage Project (CRSP), and the Pacific Northwest-Pacific Southwest Intertie Project (AC Intertie), as well as the transmission facilities of the Salt Lake City Area Integrated Projects of the CRSP. NITS is provided on the P-DP and the AC Intertie.

#### P-DP

P-DP was formed by consolidating two projects, Davis Dam and Parker Dam, under terms of the Act of May 28, 1954 (68 Stat. 143). P-DP is operated in conjunction with the other Federal hydro generation projects in the Colorado River Basin. The project includes 1,541 circuit-miles of high-voltage transmission lines in Arizona, southern Nevada, and along the

Colorado River in California. Power generated from the P-DP is marketed to customers in Nevada, Arizona, and California. The current methodologies to calculate rates for firm electric and transmission service have been in effect since October 1, 2008.

#### AC Intertie

The AC Intertie was authorized by Section 8 of the Pacific Northwest Power Marketing Act of August 31, 1964 (16 U.S.C. 837g). Western's portion of the AC Intertie consists of two parts, a northern portion and a southern portion. The southern portion is administered by Western's DSWR and is treated as a separate, stand alone project for repayment and operational purposes. It consists of a 238-mile, 345-kV line from Mead Substation (Nevada) to Liberty Substation (Arizona), a 19-mile, 230-kV line from Liberty to Westwing Substation (Arizona), a 22-mile, 230-kV line from Westwing to Pinnacle Peak Substation (Arizona), and two segments that came on line in April 1996; the 260-mile Mead-Phoenix 500-kV AC Transmission Line between Marketplace Substation (Nevada) and Perkins Substation (Arizona), and the 202-mile Mead-Adelanto 500-kV AC transmission line between Marketplace and the existing Adelanto Switching Substation in southern California. The rate schedules for firm and non-firm transmission services were placed into effect on October 1, 2007, and expire on September 30, 2012, unless superseded with new rate schedules.

#### BCP

Hoover Dam, authorized by the Boulder Canyon Project Act (45 Stat. 1057, December 21, 1928), sits on the Colorado River along the Arizona and Nevada border. Hoover Power Plant has 19 generating units (two for plant use) and an installed capacity of 2,078,800 kW (4,800 kW for plant use). High-voltage transmission lines and substations make it possible for consumers in southern Nevada,

Arizona, and southern California to receive power from the BCP. BCP electric service rates are adjusted annually using an existing rate formula established on April 19, 1996.

#### CAP

The CAP is one of three related water development projects that make up the Colorado River Basin Project. Congress authorized CAP in 1968 to improve water resources in the Colorado River Basin (43 U.S.C. 1501). The legislation also authorized Federal participation in the Navajo Generating Station, which has three coal-fired steam electric generating units for a combined capacity of approximately 2,250,000 kW. The current rate methodology for CAP firm and non-firm transmission service went into effect on January 1, 2001, and was extended through December 31, 2012.

#### CRSP

CRSP was authorized by the Colorado River Storage Project Act, ch. 203, 70 Stat. 105, on April 11, 1956. The project provides water-use developments for states in the Upper Basin (Colorado, New Mexico, Utah, and Wyoming) while still maintaining water deliveries to the states of the Lower Basin (Arizona, California, and Nevada) as required by the Colorado River Compact Act of 1922. The CRSP hydroelectric facility providing Ancillary Services for WALC is the Glen Canyon power plant on the Colorado River.

#### Network Integration Transmission Service

The formula rates for NITS were initially placed into effect by Rate Order No. WAPA-127 on November 21, 2006, and were effective through June 30, 2011. These formula rates were then extended by Rate Order No. WAPA-152 through September 30, 2013. The formula rates being placed into effect by Rate Order No. WAPA-151 will be effective on October 1, 2011, and will remain in effect until September 30, 2015, or until superseded. The formula rate for CAP is being offered under a separate Rate Order No. WAPA-124. The formula rate methodology will remain identical to those for P-DP and AC Intertie.

The formula rates for NITS for P-DP and AC Intertie are described in Rate Schedules PD-NTS3 and INT-NTS3. These formula rates will remain project-specific under Rate Order No. WAPA-151. The rates will subsequently be recalculated every year, effective October 1, based on the approved formula and updated financial and load data. DSWR will provide official notice of changes in rates to customers prior to October 1 of each year.

#### WALC Ancillary Services

The formula rates for WALC Ancillary Service were initially placed into effect by Rate Order No. WAPA-127 on July 1, 2006, and were effective through June 30, 2011.<sup>3</sup> These rate schedules were then extended by Rate Order No. WAPA-152 through September 30, 2013.<sup>4</sup> The rate schedules being placed

into effect by Rate Order No. WAPA-151 will be effective on October 1, 2011, and will remain in effect until September 30, 2016, or until superseded.

Western will offer seven ancillary services pursuant to its Tariff. The seven ancillary services are: (1) Scheduling, system control, and dispatch service; (2) reactive supply and voltage control service; (3) regulation and frequency response service; (4) energy imbalance service; (5) spinning reserve service; (6) supplemental reserve service; and (7) generator imbalance service. The formula rates for ancillary services are designed to recover only the costs incurred for providing the service(s). The formula rates for ancillary services are described in Rate Schedules DSW-SD3, DSW-RS3, DSW-FR3, DSW-EI3, DSW-SPR3, DSW-SUR3, and DSW-GI1. The rates will subsequently be recalculated every year, effective October 1, based on the approved formula and updated financial and load data. DSWR will provide official notice of changes in rates to customers prior to October 1 of each year.

#### Comparison of Existing and Provisional Formula Rates for Network Integration Transmission Service and WALC Ancillary Services

The following table displays a comparison of existing rates and provisional rates for FY 2012. These rates will be recalculated annually based on updated financial and load data.

FORMULA RATE COMPARISON TABLE

Class of service	Existing formula rates effective October 1, 2010 (FY 2011)	Provisional formula rates effective October 1, 2011 (FY 2012)
Network Integration Transmission Service:	Customer's Load Ratio Share times one-twelfth of the Annual Transmission Revenue Requirement.	Customer's Load Ratio Share times one-twelfth of the Annual Transmission Revenue Requirement.
P-DP .....	\$37,912,005 .....	\$38,572,394.
AC Intertie .....	\$27,476,836 .....	\$27,906,604.
Scheduling, System Control, and Dispatch Services DSW-SD3.	\$26.85/tag Maximum cost per tag .....	\$30.33/Schedule Maximum cost per Schedule.
Reactive Supply and Voltage Control from Generation Sources Services DSW-RS3.	\$0.058/kW-month .....	\$0.063/kW-month.
Regulation and Frequency Response Service DSW-FR3.	0.2481 Mills/kWh (Energy based) .....	\$0.2327/kW-month (Capacity based).
Energy Imbalance Service:		
DSW-EI3.		
On-Peak Hours .....	+/- 0 to 1.5%; Min: 0 to 5 MW .....	+/- 0 to 1.5%; Min: 0 to 4 MW.
Energy within Bandwidth .....	100% return .....	100% return.
On-Peak Hours .....		+/- 1.5% to 7.5%; Min: 4 to 10 MW
Energy outside Bandwidth Deliveries:		
Under .....	110% return .....	110% return.
Over .....	90% return .....	90% return.
On-Peak Hours .....	N/A .....	>+/- 7.5%, Min: >10MW.

<sup>3</sup> See 71 FR 36322 (June 26, 2006). FERC confirmed and approved these rates on November 21, 2006 (117 FERC ¶ 62,172).

<sup>4</sup> WAPA-152, Extension of Rate Order No. WAPA-127 through September 30, 2013. 76 FR 28767, May 18, 2011.

FORMULA RATE COMPARISON TABLE—Continued

Class of service	Existing formula rates effective October 1, 2010 (FY 2011)	Provisional formula rates effective October 1, 2011 (FY 2012)
Deliveries:		
Under .....	.....	125% return.
Over .....	.....	75% return.
Off-Peak Hours .....	+1.5% to -3% .....	+7.5% to -3%.
Deliveries:		
Under .....	Min: 5 MW .....	Min: 5 MW.
Over .....	Min: 2 MW .....	Min: 2 MW.
Energy within Bandwidth .....	100% return .....	100% return.
Energy outside Bandwidth .....		
Deliveries:		
Under .....	110% return .....	110% return.
Over .....	60% return .....	60% return.
Generator Imbalance Service:		
DSW-GI1 .....		
On-Peak Hours .....	N/A .....	+/- 0 to 1.5%; Min: 0 to 4 MW.
Energy within Bandwidth .....		100% return.
On-Peak Hours Energy outside bandwidth .....		+/- 1.5% to 7.5%; Min: 4 to 10 MW.
Deliveries .....	N/A .....	
Under .....		110% return.
Over .....		90% return.
On-Peak Hours .....		> +/- 7.5%, Min: > 10 MW
Deliveries .....	N/A .....	
Under .....		125% return.
Over .....		75% return.
Off-Peak Hours .....	N/A .....	+7.5% to -3%.
Deliveries:		
Under .....		Min: 5 MW.
Over .....		Min: 2 MW.
Energy within Bandwidth .....		100% return.
Energy outside Bandwidth .....		
Deliveries:		
Under .....		110% return.
Over .....		60% return.
Operating Reserves:		
Spinning Service DSW-SPR3 and Supplemental Service DSW-SUR3.	None available on long-term basis; market price, if available, on short-term basis, or on request. Western will procure at cost plus 10% administrative charge.	None available on long-term basis; market price, if available, on short-term basis, or on request. Western will procure at cost plus 10% administrative charge.

**Certification of Rates**

Western's Administrator certified that the Provisional Formula Rates for NITS and WALC Ancillary Services under Rate Schedules PD-NTS3, INT-NTS3, DSW-SD3, DSW-RS3, DSW-FR3,

DSW-EI3, DSW-SPR3, DSW-SUR3, and DSW-GI1 are the lowest possible rates consistent with sound business principles. The Provisional Formula Rates were developed following administrative policies and applicable laws.

**Network Integration Transmission Service Discussion**

The monthly charge for NITS will be as follows:

$$\text{Monthly Charge} = \frac{\text{Customer Load Ratio Share}}{\text{Annual Transmission Revenue Requirement}} \times 12$$

The customer's load-ratio share is the ratio of its network load to the Project's Transmission System Total Load at the Project's system peak. This is calculated on a rolling 12-month basis (12 coincident peak average or 12-cp).

**Network Integration Transmission Service Comments**

DSWR received three comment letters during the Public Consultation and Comment Period. No comments provided related specifically to NITS. The commenters requested an extension to the public comment period, and Western responds to these comments later in this document.

**WALC Ancillary Services Discussion**

Pursuant to Western's Tariff, WALC will offer seven Ancillary Services. Two of these services, Scheduling, System Control and Dispatch (SSCD) Service and Reactive Supply and Voltage Control (VAR Support) from Generation or Other Sources Service, are services that the Transmission Provider is required to provide (or offer to arrange

with the Balancing Authority operator) and the Transmission Customer is required to purchase.

The other five Ancillary Services, Regulation and Frequency Response (Regulation) Service, Energy Imbalance (EI) Service, Operating Reserves—Spinning Reserve and Operating

Reserve—Supplemental Reserve Service, Generator Imbalance (GI) Service, are services that the Transmission Provider is required to offer to provide to the Transmission Customer. The Transmission Customer is required to acquire these Ancillary Services, either from the Transmission

Provider, from a third party, or by self-supply.

**Formula Rate for Scheduling, System Control, and Dispatch Service**

The formula for SSCD Service is as follows:

$$\begin{aligned} \text{Rate per Schedule} &= \frac{\text{Annual Cost of Scheduling Personnel and Related Costs}}{\text{Number of Schedules per Year}} \\ \\ \text{Rate per Schedule} &= \frac{\$5,481,314}{180,732 \text{ Schedules}} \\ \\ \text{Rate per Schedule} &= \$30.33 \end{aligned}$$

Western's annual revenue requirement (numerator) for SSCD Service primarily consists of costs for scheduling and will not include costs for system control and dispatch. Those costs are contained in other rates. The denominator is the yearly total of daily schedules. This is a change from the current methodology in that WALC previously counted tags at the time of creation and any subsequent modifications where WALC is listed as

a Transmission Provider and as a Balancing Authority.

Under Schedule 1 of Western's Tariff, "this service can be provided only by the operator of the Control Area in which the transmission facilities used for transmission service are located." In cases where the Transmission Provider directly provides the service as the Control Area operator, the costs for this service are included in the respective Federal transmission rate. In cases where the Transmission Provider on the

schedule is not the control area operator and the entities are not taking transmission service over the Federal transmission system in WALC, unless other arrangements are made with WALC, the SSCD rate will be applicable.

**Formula Rate for Reactive Supply and Voltage Support Control Service From Generation or Other Sources Service**

The formula for VAR Support Service is as follows:

$$\begin{aligned} \text{VAR Support Rate} &= \frac{\text{TARRG} \times \% \text{ of Resource}}{\text{Load Requiring VAR Support}} \\ \\ \text{VAR Support Rate} &= \frac{\$3,253,180}{4,293,570 \text{ kW}} \end{aligned}$$

$$\text{VAR Support Rate} = \$ 0.76 / \text{kW-year}$$

$$\text{VAR Support Rate} = \$ 0.063 / \text{kW-month}$$

Western's total annual revenue requirement (numerator) for VAR Support Service captures the percentage of annual generation costs that are used for this service. That percentage is based on the nameplate power factor for the generating units. The annual generation

costs are multiplied by the complement of the power factor. The denominator is a measure of the loads requiring this service. Western uses long-term firm transmission reservation data for both CRSP and P-DP, and subtracts for those customers that provide VAR Support

Service to the Balancing Authority. There is no change to the rate formula methodology.



**Formula Rate for Regulation and Frequency Response Service**

The formula for Regulation Service will have two different applications:

**1. Load-based Assessment. The formula is as follows:**

$$\text{Regulation Rate} = \frac{\text{Total Annual Revenue Requirement for Regulation}}{\text{Load in the Balancing Authority Requiring Regulation Plus the Installed Nameplate Capacity of Intermittent Resources Serving Load in the Balancing Authority}}$$

$$\text{Regulation Rate} = \frac{\$2,475,456}{866,582 \text{ kW}}$$

$$\text{Regulation Rate} = \$2.7923/\text{kW-year}$$

$$\text{Regulation Rate} = \$0.2327/\text{kW-month}$$

Western's annual revenue requirement (numerator) for Regulation Service captures the plant, operation and maintenance (O&M) costs, purchases of a regulation product, and purchases of power in support of the units' ability to regulate. The load (denominator) applies to all entities' auxiliary load (total less Federal entitlements, including behind the meter generation rating, or if available, hourly data if generation is synchronized to the system), plus the nameplate capacity of intermittent resources serving load in the WALC. Application of Regulation Service to intermittent resources serving load inside WALC is a change from the current methodology. Western retains the existing requirement for providing regulation service for non-conforming loads. A non-conforming load is defined as a single plant or site with a regulation capacity requirement of 5 MWs or greater on a recurring basis and 10 percent or greater of its average load. Regulation Service for non-conforming loads, as determined by Western, will continue to be delineated in a Service Agreement and charged an amount that includes the cost to procure the service and the additional amount required to monitor and supply the service. The denominator is a change from the existing formula rate methodology in that it was energy-based rather than capacity (load)-based.

**1. Self-Provision Using Automatic Generation Control Assessment**

Western allows entities with automatic or manual generation control to self-provide for all or a portion of their loads. Typically, entities with

generation control are known as Sub-Balancing Authorities (SBA) and should meet all of the following criteria:

a. Have a well-defined boundary, with WALC-approved revenue-quality metering, accurate as defined by North American Electric Reliability Corporation (NERC), to include MW flow data availability at 6-second or smaller intervals.

b. Have Automatic Generation Control capability.

c. Demonstrate Regulation Service capability as determined by Western.

d. Execute a contract with the WALC BA to:

i. Provide all requested data to the WALC BA.

ii. Meet SBA Error Criteria as described below.

Self-provision is to be measured by use of the entity's 1-minute average Area Control Error (ACE) to determine the amount of self-provision. The assessment is calculated every hour and the value of ACE is used to calculate the Regulation Service charges as follows:

a. If the entity's 1-minute average ACE is  $\leq 0.5$  percent of the entity's hourly average load, no Regulation Service charges are assessed by WALC.

b. If the entity's 1-minute average ACE is  $\geq 1.5$  percent of the entity's hourly average load, WALC assesses Regulation Service charges to the entity's entire load, using the Load-based rate.

c. If the entity's 1-minute average ACE is  $> 0.5$  percent of the entity's hourly average load, but  $< 1.5$  percent of the entity's hourly average load, WALC assesses Regulation Service charges based on linear interpolation of zero charge and full charge, using the Load-based rate.

d. Western will monitor the entity's self-provision on a regular basis. If Western determines that the entity has not been self-regulating, Western will, upon notification, employ the load-based assessment methodology described in No. 1 above.

**Alternative Arrangements**

**1. Exporting Intermittent Resource Requirement:** An entity that exports the output from an intermittent generator to another balancing authority will be required to dynamically meter or dynamically schedule that resource out of WALC to another balancing authority unless arrangements, satisfactory to Western, are made for that entity to acquire this service from a third-party or self-supply (as outlined below). An intermittent generator is one that is volatile and variable due to factors beyond direct operational control and, therefore, is not dispatchable.

**2. Self- or Third-party Supply:** Western may allow an entity to supply some or all of its required regulation or contract with a third party to do so, even without well-defined boundary metering. This entity must have revenue quality metering at every load and generation point, and accuracy as defined by NERC, to include MW flow data availability at 6-second or smaller intervals. WALC will evaluate the entity's metering, telecommunications and regulating resource, as well as the required level of regulation, and determine whether the entity qualifies to self-supply under this provision. If approved, the entity is required to enter into a separate contract with Western, which will specify the terms of the self-supply agreement.



### Formula Rate for Energy Imbalance Service

WALC provides EI Service using a bandwidth and penalty structure with three deviation bands as follows:

1. On-peak hours +/- 0 percent to 1.5 percent of metered load (0 to 4 MW minimum) with no penalty within bandwidth.

2. On-peak hours +/- 1.5 percent to 7.5 percent of metered load (4 to 10 MW minimum) with 110 percent return for under-deliveries and 90 percent return for over-deliveries.

3. On-peak hours >7.5 percent of metered load (>10 MW minimum) with 125 percent return for under-deliveries and 75 percent for over-deliveries.

Due to Balancing Authority operating constraints in the off-peak hours, WALC will continue to treat on-peak and off-peak hour imbalances differently. For off-peak hour imbalances, WALC is proposing to continue using the following bandwidth structure in those hours but with an expanded bandwidth for over-delivery:

Off-peak hours 7.5 percent to -3 percent of metered load (2 MW minimum for over-deliveries; 5 MW minimum for under-deliveries) with 110 percent return for under-delivery, 60 percent return for over-delivery.

For off-peak hour imbalances, WALC is proposing an imbalance and penalty structure very similar to the existing structure.

### Formula Rates for Operating Reserves—Spinning and Supplemental Services

WALC has no long-term Reserves available for sale. At a customer's request, WALC may attempt to purchase and pass through the cost of Reserves, plus 10 percent administrative costs. This represents no change to the existing methodology.

### Formula Rates for Generator Imbalance Service

WALC has not had a separate rate schedule or provided this service in the past. The formula rate for GI Service will be identical to that of EI Service, with the following exceptions:

1. Bandwidths will be calculated as a percentage of metered generation, since there is no load.

2. Intermittent resources are exempt from the outer bandwidth. All deviations greater than 1.5 percent of metered generation in the on-peak hours will be subject only to a 10 percent penalty.

In any hour, WALC may charge a customer a penalty for either GI Service under Rate Schedule DSW-GI1 or EI

Service under Rate Schedule DSW-EI3, but not both, unless the imbalances aggravate rather than offset each other.

### Comments

DSWR received three comment letters during the Public Consultation and Comment Period. The comment expressed in these letters has been paraphrased where appropriate, without compromising the meaning of the comment.

*Comment:* All three commenters requested a 30-day extension to the public consultation and comment period ending May 16, 2011.

*Response:* Western recognizes the request for an extension to the comment period. In order to make the rates effective October 1, however, Western must issue the order confirming, approving and placing the rates into effect on an interim basis. Western provided opportunities for the customers and interested parties to participate and comment within the 90-day consultation and comment period. Prior to initiation of the formal comment period, Western also held informal discussions with customers and interested parties, providing for initial consultation and comments beginning in September 2010. Western believes that these comment opportunities were sufficient, and the requesters did not provide sufficient justification of the need for an extension.

### Availability of Information

All brochures, studies, comments, letters, memorandums and other documents that Western used to develop the Provisional Formula Rates are available for inspection and copying at the Desert Southwest Customer Service Region Office, located at 615 South 43rd Avenue, Phoenix, Arizona or on its Web site at <http://www.wapa.gov/dsw/pwrnkt/ancsrv/ancsrv.htm>.

### Ratemaking Procedure Requirements

#### Environmental Compliance

In compliance with the National Environmental Policy Act (NEPA) of 1969 (42 U.S.C. 4321 *et seq.*), Council on Environmental Quality Regulations (40 CFR parts 1500–1508), and DOE NEPA Regulations (10 CFR part 1021), Western has determined that this action is categorically excluded from preparing an environmental assessment or an environmental impact statement.

#### Determination Under Executive Order 12866

Western has an exemption from centralized regulatory review under

Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

### Submission to the FERC

The Provisional Formula Rates herein confirmed, approved, and placed into effect on an interim basis, together with supporting documents, will be submitted to FERC for confirmation and final approval.

### Order

In view of the foregoing and under the authority delegated to me, I confirm and approve on an interim basis, effective on the first full billing period on or after October 1, 2011, formula rates for Network Integration Transmission Service and WALC Balancing Authority Ancillary Services under Rate Schedules PD-NTS3, INT-NTS3, DSW-SD3, DSW-RS3, DSW-FR3, DSW-EI3, DSW-SPR3, DSW-SUR3, and DSW-GI1. By this Order, I am placing the rates into effect in less than 30 days to meet contract deadlines, to avoid financial difficulties and to provide a rate for a new service. These rate schedules shall remain in effect on an interim basis, pending FERC's confirmation and approval of them or substitute formula rates on a final basis through September 30, 2016.

Dated: September 19, 2011.

Daniel B. Poneman,  
Deputy Secretary.

### Network Integration Transmission Service on the Parker-Davis Project

#### Effective

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

#### Available

In the area served by the Parker-Davis Project (P-DP) transmission facilities.

#### Applicable

To Network Integration Transmission Service (Network Service) customers where capacity and energy are supplied to the P-DP transmission system from designated resources, transmitted subject to the availability of the transmission capacity, and delivered, less losses, to designated points of delivery on the P-DP system specified in the network service agreement.

#### Character and Conditions of Service

Alternating current at 60 hertz, three-phase, delivered and metered at the voltages and points of delivery established by the network service agreement.

**Monthly Rate**

**Network Service Charge:** Each contractor shall be billed an amount based on the contractor's load ratio share times one-twelfth of the P-DP annual revenue requirement. The load ratio share will be determined by the contractor's coincidental peak load averaged with the coincidental peak loads of the previous 11 months divided by the average P-DP system peak for the same time period.

**Revenue Requirement**

The projected annual revenue requirement allocated to transmission for FY 2012 for the P-DP is \$38,572,394. Based on updated financial and load data, a recalculated revenue requirement will go into effect on October 1 of each year during the effective rate schedule period.

**Adjustment for Ancillary Services**

Network Service is offered under Western's Open Access Transmission Tariff, and contractors are responsible for all ancillary services set forth in the applicable rate schedules specified in the customer's network service agreement.

**Adjustment for Losses**

Capacity and energy losses incurred in connection with the transmission and delivery of power and energy under this rate schedule shall be supplied by the customer in accordance with the network service agreement.

**Modifications**

The Desert Southwest Customer Service Region may modify the charges for Network Service upon written notice to the transmission customer. Any change to the charges to the transmission customer for Network Service shall be included in a revision to this rate schedule promulgated under applicable Federal laws, regulations, and policies, and made part of the applicable network service agreement.

**Network Integration Transmission Service on the Pacific Northwest-Pacific Southwest Intertie Project****Effective**

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

**Available**

Within the marketing area serviced by the Pacific Northwest-Pacific Southwest Intertie Project (Intertie) transmission facilities.

**Applicable**

To Network Integration Transmission Service (Network Service) customers where capacity and energy are supplied to the Intertie from designated resources, transmitted subject to the availability of the transmission capacity, and delivered, less losses, to designated points of delivery on the Intertie system specified in the network service agreement.

**Character and Conditions of Service**

Alternating current at 60 hertz, three-phase, delivered and metered at the voltages and points of delivery established by the network service agreement.

**Monthly Rate**

**Network Service Charge:** Each contractor shall be billed an amount based on the contractor's load ratio share times one-twelfth of the Intertie annual revenue requirement. The load ratio share will be determined by the contractor's coincidental peak load averaged with the coincidental peak loads of the previous 11 months divided by the average Intertie system peak for the same time period.

**Revenue Requirement**

The projected annual revenue requirement allocated to transmission for FY 2012 for the Intertie is \$27,906,604. Based on updated financial and load data, a recalculated revenue requirement will go into effect on October 1 of each year during the effective rate schedule period.

**Adjustments for Ancillary Services**

Network Service is offered under the Open Access Transmission Tariff and contractors are responsible for all ancillary services set forth in the applicable rate schedules specified in the customer's network service agreement.

**Adjustments for Losses**

Capacity and energy losses incurred in connection with the transmission and

delivery of power and energy under this rate schedule shall be supplied by the customer in accordance with the network service agreement.

**Modifications**

The Desert Southwest Customer Service Region may modify the charges for Network Service upon written notice to the transmission customer. Any change to the charges to the transmission customer for Network Service shall be included in a revision to this rate schedule promulgated under applicable Federal laws, regulations, and policies and made part of the applicable network service agreement.

**Scheduling, System Control, and Dispatch Service****Effective**

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

**Available**

In the area served by the Western Area Lower Colorado (WALC) Balancing Authority (BA).

**Applicable**

Unless other arrangements are made with WALC, to transactions with entities not taking transmission service over the Federal transmission system in WALC, where WALC is listed as the Transmission Provider. For entities taking transmission service from Western in the WALC BA, the Scheduling, System Control, and Dispatch Service (Scheduling Service) charge is included in the transmission rate.

**Character of Service**

Scheduling Service is required to schedule the movement of power through, out of, within, or into the WALC BA.

**Formula Rate**

The charges for Scheduling Service are to be based on the following formula rate where the Rate per Schedule equals:

$$\text{Cost per Schedule} = \frac{\text{Annual Cost of Scheduling Personnel and Related Costs}}{\text{Number of daily Schedules per Year}}$$

The numerator captures the personnel costs associated with providing

Scheduling Service, as well as related costs, including annual capital costs

associated with providing Scheduling Service. The denominator captures the

total number of daily schedules per year.

**Rate:**

The rate charged for Scheduling Service is \$30.33 per Schedule. This rate is based on FY 2010 financial and load data, and will be in effect October 1, 2011, through September 30, 2012. Based on updated financial and load data, a recalculated rate will go into effect on October 1 of each year during the effective rate period.

The Desert Southwest Customer Service Region's charge for Scheduling Service may be modified upon written notice to the customer, and any change to the charges for the service shall be included in a revision to this rate schedule promulgated under applicable Federal laws, regulations, and policies

and made part of the applicable service agreement.

**Reactive Supply and Voltage Control From Generation Sources Service**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

**Available**

In the area served by the Western Area Lower Colorado (WALC) Balancing Authority (BA).

**Applicable**

To all customers in the WALC BA taking transmission service under Western's Open Access Transmission Tariff. The customer must purchase this

service from WALC, unless the entity has a separate generation agreement to supply Reactive Supply and Voltage Control from Generation Sources Service (Voltage Support Service) to WALC.

**Character of Service**

Voltage Support Service is needed to maintain transmission voltages on all transmission facilities within acceptable limits. To accomplish this, generation facilities under the control of the WALC BA are operated to produce or absorb reactive power.

**Formula Rate**

The charges for Voltage Support Service are based on the following formula rate:

$$\text{Voltage Svc Support Rate} = \frac{\text{Total Annual Revenue Requirement for Service}}{\text{Load Requiring VAR Support Service}}$$

The revenue requirement for the service is the sum of the service for each generation project in WALC, determined by multiplying the generation revenue requirement by one minus the power factor for the supplying plants.

The load requiring Voltage Support Service equals long-term firm transmission reservation data for both P-DP and that portion of Colorado River Storage Project (CRSP) located in WALC, and subtracts for those reservations by entities with generation agreements to supply Voltage Support Service to WALC.

**Rate**

The rate to be in effect October 1, 2011, through September 30, 2012, is:  
Monthly: \$0.063/kW-month.  
Weekly: \$0.015/kW-week.  
Daily: \$0.0021/kW-day.  
Hourly: \$0.0870 mills/kWh.

This rate is based on the above formula and on FY 2010 financial and load data, and will be adjusted annually as new data becomes available and will go into effect October 1 of each year. The Desert Southwest Customer Service Region (DSWR) charges for Voltage Support Service may be modified upon written notice to the customer. Any change to the charges for Voltage Support Service shall be included in a revision to the rate schedule promulgated under applicable Federal laws, regulations, and policies and made part of the applicable service agreement. DSWR shall charge the customer in accordance with the rate then in effect.

**Regulation And Frequency Response Service**

**Effective**

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

**Applicable**

Regulation and Frequency Response Service (Regulation Service) is necessary to provide for the continuous balancing of resources, generation and interchange with load, and for maintaining scheduled interconnection frequency at 60 cycles per second (60 Hz). Regulation Service is accomplished by committing on-line generation whose output is raised or lowered as necessary, predominantly through the use of automatic generation control equipment, to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Western Area Lower Colorado (WALC) Balancing Authority (BA) operator. Customers (Federal transmission customers and customers on others' transmission systems within WALC) with conforming loads must purchase this service from WALC or make alternative comparable arrangements to satisfy their Regulation Service obligations. Customers with non-conforming loads will be charged differently as stated below. A non-conforming load is defined as a single plant or site with a regulation capacity requirement of 5 megawatts (MW) or greater on a recurring basis and whose capacity requirement is equal to 10 percent or greater of its average load.

The charges for Regulation Service are outlined below.

**Types**

There are two different applications of this Formula Rate:

1. Load-based Assessment: The rate for the load-based assessment is reflected in the "Formula Rate" section and is applied to entities that take regulation service from the WALC BA. This load-based rate is assessed on an entity's auxiliary load (total metered load less Federal entitlements, including behind the meter generation rating, or if available, hourly data if generation is synchronized to the system) and is also applied to the installed nameplate capacity of all intermittent generators within WALC.

2. Self-Provision Assessment: Western allows entities with automatic or manual generation control to self-provide for all or a portion of their loads. Typically, entities with generation control are known as Sub-Balancing Authorities (SBA) and should meet all of the following criteria:

a. Have a well-defined boundary, with WALC-approved revenue-quality metering, accurate as defined by NERC, to include MW flow data availability at 6-second or smaller intervals.

b. Have Automatic Generation Control capability.

c. Demonstrate Regulation Service capability.

d. Execute a contract with the WALC BA to:

i. Provide all requested data to the WALC BA.

ii. Meet SBA Error Criteria as described below.

Self-provision is measured by use of the entity's 1-minute average Area Control Error (ACE) to determine the amount of self-provision. The assessment is calculated every hour, and the value of ACE is used to calculate the Regulation Service charges as follows:

a. If the entity's 1-minute average ACE is  $\leq 0.5$  percent of the entity's hourly average load, no Regulation Service charges is assessed by WALC.

b. If the entity's 1-minute average ACE is  $\geq 1.5$  percent of the entity's hourly average load, WALC assesses Regulation Service charges to the entity's entire load, using the load-based rate.

c. If the entity's 1-minute average ACE is  $> 0.5$  percent of the entity's hourly average load, but  $< 1.5$  percent of the entity's hourly average load, WALC assesses Regulation Service charges based on linear interpolation of zero

charge and full charge, using the load-based rate.

d. Western monitors the entity's self-provision on a regular basis. If Western determines that the entity has not been attempting to self-regulate, Western will, upon notification, employ the load-based assessment methodology described in No. 1 above.

#### Alternative Arrangements

Exporting Intermittent Resource Requirement: An entity that exports the output from an intermittent generator to another balancing authority will be required to dynamically meter or dynamically schedule that resource out of WALC to another balancing authority unless arrangements, satisfactory to Western, are made for that entity to acquire this service from a third-party or self-supply (as outlined below). An intermittent generator is one that is volatile and variable due to factors

beyond direct operational control and, therefore, is not dispatchable.

**Other Self- or Third-party Supply:** Western may allow an entity to supply some or all of its required regulation or contract with a third party to do so, even without well-defined boundary metering. This entity must have revenue quality metering at every load and generation point, accuracy as defined by NERC, to include MW flow data availability at 6-second (or smaller) intervals. WALC will evaluate the entity's metering, telecommunications, and regulating resource, as well as the required level of regulation, and determine whether the entity qualifies to Self-supply under this provision. If approved, the entity is required to enter into a separate contract with Western, which will specify the terms of the self-supply agreement.

#### Formula Rate

WALC  
Regulation =  
Rate

#### Total Annual Revenue Requirement for Regulation

Load in the Balancing Authority Requiring Regulation  
Plus the Installed Nameplate of Intermittent Resources  
serving Load inside WALC

#### Rates

##### Load-Based Rate

The rate to be in effect October 1, 2011, through September 30, 2012, for Nos. 1 and 2, as described above in the "Types" section of this rate schedule is:

Monthly: \$0.2327/kW-month.  
Weekly: \$0.0536974/kW-week.  
Daily: \$0.0076500/kW-day.  
Hourly: \$0.0003188/kWh.

This rate is based on the above formula and will be revised annually based on updated financial and load data. The above Load-Based Rate applies to conforming loads. Regulation Service for non-conforming loads, as determined by Western, must be delineated in a service agreement, and charged an amount that includes the cost to procure the service and the additional amount required to monitor and supply this service.

WALC charges for Regulation Service may be modified upon written notice to customers. Any change to the Regulation Service charges will be listed in a revision to this rate schedule issued under applicable Federal laws, regulations, and policies and made part of the applicable service agreement. Western will charge customers under the rate then in effect.

#### Energy Imbalance Service

##### Effective

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

##### Available

In the area served by the Western Area Lower Colorado (WALC) Balancing Authority (BA).

##### Applicable

To all customers receiving Energy Imbalance Service from the Desert Southwest Customer Service Region (DSWR) for the WALC.

##### Character of Service

Provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within the WALC BA. The transmission customer (Federal transmission customers and customers on non-Western transmission systems within WALC BA) must either obtain this service from WALC, or make alternative comparable arrangements to satisfy its Energy Imbalance Service obligation. Western may charge a transmission customer a penalty for either hourly energy imbalances under this Schedule DSW-El3 or hourly generator imbalances under Rate Schedule DSW-

GI1 for imbalances occurring during the same hour, but not both, unless the imbalances aggravate rather than offset each other.

#### Formula Rate

WALC has established a multi-tiered deviation bandwidth, based on the size of deviation and whether the deviation occurs in the on-peak or off-peak hours. For on-peak hours the deviation bands are as follows:

1. Deviations of plus or minus 1.5 percent of metered load, with a minimum of 0 to 4 MW, either over or under-delivery.
2. Deviations of plus or minus 1.5 to 7.5 percent of a customer's metered load, with a minimum of 4 to 10 MW, either over or under-delivery.
3. Deviations of greater than plus or minus 7.5 percent of metered load, with a minimum of greater than 10 MW, either over or under-delivery.

For off-peak deviations the deviation band is 7.5 percent to a negative 3 percent of metered load, with a minimum of 5 MW for under-deliveries and 2 MW for over-deliveries. Normally, there are four scenarios for Energy Imbalance Service. They are: (1) Over-delivery within the bandwidth; (2) under-delivery within the bandwidth; (3) over-delivery outside the bandwidth;

and (4) under-delivery outside the bandwidth. There are different penalties and bandwidths imbalances that occur during on-peak and off-peak hours. During periods of BA operating constraints, Western reserves the right to eliminate credits for over-deliveries.

#### *Within the Bandwidth*

For Energy Imbalance within the bandwidth for both on-peak and off-peak, settlement between the existing customer and Western will be 100 percent of the energy imbalance. In lieu of financial settlement, equal to 100 percent of a weighted index price (described below), Western, at its discretion, may accept settlement in energy.

#### *Outside the Bandwidth*

For that portion of the customer's energy imbalance that is outside the bandwidth during on-peak hours, the settlement will be as follows:

1. For deviations of plus or minus 0 to 7.5 percent of metered load, with a 0 to 10 MW minimum, the settlement is 110 percent of the energy imbalance for under-deliveries and 90 percent of the energy imbalance for over-deliveries.

2. For deviations of greater than plus or minus 7.5 percent of metered load, with a minimum exceeding 10 MW, settlement is 125 percent of the energy imbalance for under-deliveries and 75 percent for over-deliveries.

In lieu of financial settlement, Western may, at its discretion accept settlement in energy. Financial settlement will be equal to a weighted index price (described below). For on-peak deviations described above, settlement will be 110 percent of the weighted index price for under-deliveries, and 90 percent in the first tier. For on-peak deviations in the second tier, financial settlement will be equal to 125 percent of the weighted index price for under-deliveries and 75 percent of the weighted index price for over-deliveries. For deviations in the off-peak, settlements will be 110 percent of the weighted index price for under-deliveries, and 60 percent of the weighted index price for over-deliveries. For financial settlement of transactions, the index used to calculate the settlement will be the Dow Jones Palo Verde average monthly index or an index identified on Western's Open Access Same-time Information System at the beginning of each fiscal year. Settlement for the hourly deviations will occur on a monthly basis. The Energy Imbalance Service compensation may be modified upon written notice to the customer. Any change to the customer compensation for Energy

Imbalance Service shall be included in a revision to this schedule promulgated pursuant to applicable Federal laws, regulations, and policies and made part of the applicable service agreement. The DSWR shall charge the customer in accordance with the rate then in effect.

#### **Operating Reserve—Spinning Reserve Service**

##### *Effective*

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

##### *Available*

In the area served by the Western Area Lower Colorado (WALC) Balancing Authority (BA).

##### *Applicable*

To all customers receiving spinning reserve service from the Desert Southwest Customer Service Region (DSWR) for the WALC BA.

##### *Character of Service*

Spinning reserve service (Spinning Service) is needed to serve load immediately in the event of a system contingency. Spinning Service may be provided by generating units that are on-line and loaded at less than maximum output. The transmission customer must either purchase this service from the Western WALC BA, or make alternative comparable arrangements, satisfactory to Western, to meet its Spinning Service requirements.

##### *Formula Rate*

Spinning Service will not be available from DSWR resources on a long-term basis. If a customer cannot self-supply or purchase this service from another provider, Western may obtain the Spinning Service on a pass-through cost basis at market price, plus a charge that covers the cost of procuring and supplying the service. The transmission customer will be responsible for the transmission service to get Spinning Service to the designated point of delivery.

Cost for Spinning Service = market price + cost to procure service. The Operating Reserve-Spinning Reserve Service compensation may be modified upon written notice to the customer. Any change to the customer compensation for Spinning Reserve Service shall be included in a revision to this schedule promulgated pursuant to applicable Federal laws, regulations, and policies and made part of the applicable service agreement. The DSWR shall charge the customer in accordance with the rate then in effect.

#### **Operating Reserve—Supplemental Reserve Service**

##### *Effective*

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

##### *Available*

In the area served by the Western Area Lower Colorado (WALC) Balancing Authority (BA).

##### *Applicable*

To all customers receiving supplemental reserve service from the Desert Southwest Customer Service Region (DSWR) for the WALC BA.

##### *Character of Service*

Supplemental reserve service (Supplemental Service) is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load.

Supplemental Service may be provided by generating units that can be synchronized to the system within 10 minutes and loaded within 30 minutes. The transmission customer must either purchase this service from the Western WALC BA, or make alternative comparable arrangements, satisfactory to Western, to meet its Supplemental Service requirements.

##### *Formula Rate*

Supplemental Service will not be available from DSWR resources on a long-term basis. If a customer cannot self-supply or purchase this service from another provider; Western may obtain the Supplemental Service on a pass-through cost basis at market price, plus a charge that covers the cost of procuring and supplying the service. The transmission customer will be responsible for the transmission service to get Supplemental Service to the designated point of delivery.

Cost for Supplemental Service = market price + cost to procure service. The Operating Reserve-Supplemental Reserve Service compensation may be modified upon written notice to the customer. Any change to the customer compensation for Supplemental Reserve Service shall be included in a revision to this schedule promulgated pursuant to applicable Federal laws, regulations, and policies and made part of the applicable service agreement. The DSWR shall charge the customer in accordance with the rate then in effect.

**Generator Imbalance Service****Effective**

The first day of the first full billing period beginning on or after October 1, 2011, through September 30, 2016.

**Available**

In the area served by the Western Area Lower Colorado (WALC) Balancing Authority (BA).

**Applicable**

To all customers receiving Generator Imbalance Service from the Desert Southwest Customer Service Region (DSWR) for the WALC.

**Character of Service**

Generator Imbalance Service is provided when a difference occurs between the output of a generator located within the Transmission Provider's BA and a delivery schedule from that generator to (1) Another BA, or (2) a load within the Transmission Provider's BA over a single hour. Western will offer this service, to the extent it is feasible to do so from its own resources or from resources available to it, when Transmission Service is used to deliver energy from a generator located with its BA. The transmission customer (Federal transmission customers and customers on non-Western transmission systems within WALC) must either obtain this service from Western, or make alternative comparable arrangements, which may include use of non-generation resources capable of providing this service, satisfactory to Western, to meet their Generator Imbalance Service obligation. Western may charge a transmission customer a penalty for either hourly generator imbalances under this Schedule DSW-GI1 or hourly energy imbalances under Rate Schedule DSW-EI3 for imbalances occurring during the same, but not both, unless the imbalances aggravate rather than offset each other.

Intermittent generators serving load outside WALC will be required to dynamically schedule or dynamically meter their generation to another BA unless arrangements, satisfactory to Western, are made for that entity to acquire this service from a third-party. An intermittent resource, for the limited purpose of these rate schedules is an electric generator that is not dispatchable and cannot store its fuel source, and therefore, cannot respond to changes in demand or respond to transmission security constraints.

**Formula Rate**

WALC has established a multi-tiered deviation bandwidth, based on the size

of deviation and whether the deviation occurs in the on-peak or off-peak hours. The magnitude of all deviations will be based on metered generation. For on-peak hours the deviation bands are as follows:

1. Deviations of plus or minus 1.5 percent of the scheduled transaction, with a minimum of 0 to 4 MW;
2. Deviations of plus or minus 1.5 to 7.5 percent of the scheduled transaction, with a minimum 4 to 10 MW; and
3. Deviations of greater than plus or minus 7.5 percent of the scheduled transaction with a minimum of greater than 10 MW.

For off-peak deviations the deviation band is 7.5 percent to a negative 3 percent of the scheduled transaction, with a minimum of 5 MW for under-scheduling and 2 MW for over-scheduling. Normally, there are four scenarios for Generator Imbalance Service. They are: (1) Over-generation within the bandwidth; (2) under-generation within the bandwidth; (3) over-generation outside the bandwidth; and (4) under-generation outside the bandwidth. There are different penalties and bandwidths for imbalances that occur during on-peak and off-peak hours. During periods of BA operating constraints, Western reserves the right to eliminate credits for over deliveries. Additionally, parties who over or under-deliver may share in potential penalty costs assessed against Western for operation outside of established utility guidelines.

**Within the Bandwidth**

For Generator Imbalance within the bandwidth for both on-peak and off-peak, settlement will be 100 percent of the imbalance. In lieu of financial settlement, equal to 100 percent of a weighted index price (described below), Western, at its discretion, may accept settlement in energy.

**Outside the Bandwidth**

For that portion of the customer's generator imbalance that is outside the bandwidth during on-peak hours, the settlement will be as follows:

1. For deviations of plus or minus 0 to 7.5 percent of a scheduled transaction, with a 0 to 10 MW minimum, the settlement is 110 percent of the imbalance for under-generation and 90 percent of the energy imbalance for over-generation.
2. For deviations of greater than plus or minus 7.5 percent of a scheduled transaction, with a minimum exceeding 10 MW, settlement is 125 percent of the imbalance for under-generation and 75 percent for over-generation.

In lieu of financial settlement, Western may, at its discretion accept settlement in energy. Financial settlement will be equal to a weighted index price (described below). For on-peak deviations described above, settlement will be 110 percent of the weighted index price for under-generation and 90 percent for over-generation in the first tier. For on-peak deviations in the second tier, financial settlement will be equal to 125 percent of the weighted index price for under-generation and 75 percent of the weighted index price for over-generation. For deviations in the off-peak, settlement will be 110 percent of the weighted index price for under-deliveries and 60 percent of the weighted index price for over-deliveries.

As an exception, an intermittent resource will be exempt from the outer deviation band. All deviations greater than 1.5 percent of metered generation in the on-peak hours will be subject to a 10 percent penalty. An intermittent resource, for the limited purpose of those rate schedules, is an electric generator that is not dispatchable and cannot store its fuel source, and therefore, cannot respond to changes in demand or respond to transmission security constraints.

For financial settlement of transactions, the index used to calculate the settlement will be the Dow Jones Palo Verde average monthly index or an index identified on the Open Access Same-time Information System at the beginning of each fiscal year. Settlement for the hourly deviations will occur on a monthly basis.

The generator imbalance service compensation may be modified upon written notice to the customer. Any change to the customer compensation for Generator Imbalance Service shall be included in a revision to this schedule promulgated pursuant to applicable Federal laws, regulations, and policies and made part of the applicable service agreement. The DSWR shall charge the customer in accordance with the rate then in effect.

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